

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01
AGRE-00 IO-13 L-03 H-01 PA-01 PRS-01 /097 W
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FM AMEMBASSY BEIRUT
TO SECSTATE WASHDC PRIORITY 3199
INFO AMEMBASSY DAMASCUS

C O N F I D E N T I A L BEIRUT 0894

FROM THE AMBASSADOR

E.O. 11652: GDS
TAGS: EAID, LE
SUBJECT: PL-480 NEGOTIATIONS

REF: (A) BEIRUT 0424, (B) BEIRUT 0777, (C) STATE 043015

1. AGATT PITCHER, EMBOFF YELLIN AND I MET AGAIN WITH
PRIME MINISTER AL-HOSS ON FEB 28 TO RESUME PL-480
NEGOTIATIONS. IN RESPONSE TO HIS EARLIER QUESTIONS,
I SAID WE WERE NOT AUTHORIZED TO NEGOTIATE CHANGES
IN THE AMOUNT AND TYPE OF COMMODITIES, ALTHOUGH WE
COULD PROPOSE CHANGES TO WASHINGTON. I ALSO SAID THAT
THE SUPPLY PERIOD COULD NOT BE EXTENDED UNDER NORMAL
CIRCUMSTANCES AND THAT WE HAD AS YET NOT RECEIVED
AN OFFICIAL RESPONSE TO QUESTION ABOUT NON-AGRICULTURAL
USE OF TITLE I PROCEEDS. THE PRIME MINISTER OFFERED
THE FOLLOWING REMARKS IN REPLY:

2. REDUCTION OF WHEAT DELIVERIES. GOL COULD
NOT TAKE MORE THAN 50,000 METRIC TONS OF WHEAT
UNDER THE PROPOSED PL-480, TITLE I, AGREEMENT THIS
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FISCAL YEAR BECAUSE OF THE DIFFICULTIES IN TAKING
DELIVERY, GIVEN PURCHASE COMMITMENTS ALREADY MADE
AND PAID FOR. GOL WOULD THEREFORE PREFER THAT
U.S. CONSIDER AN AGREEMENT FOR FY 1978 FOR THE
BALANCE OF 50,000 METRIC TONS. HOSS EXPLAINED THAT:

A. THE GOL NOW BELIEVED IT WOULD NEED ELEVEN

MONTHS TO REPAIR UNLOADING AND CONVEYOR SYSTEM OF BEIRUT PORT'S GRAIN SILO; DURING THIS TIME GOL'S CAPACITY TO UNLOAD GRAIN WOULD BE LIMITED TO A MAXIMUM OF 2,000 TO 3,000 METRIC TONS PER DAY. AS A CONSEQUENCE, THE PORT COULD SERVICE ONLY SMALL VESSELS; OTHERWISE SUBSTANTIAL DEMURRAGE FEES WOULD BE INCURRED.

B. LEBANON'S CURRENT ANNUAL CONSUMPTION WAS ABOUT 25,000 MT PER MONTH OR 300,000 MT PER YEAR, DOWN FROM 360,000 MT IN 1974, BECAUSE PEOPLE HAD LESS MONEY AND WERE BUYING LESS. LEBANON WOULD GROW ABOUT 60,000 MT OF WHEAT THIS YEAR, ENOUGH TO MEET TWO MONTHS' NEEDS, AND ALREADY HAD "SUBSTANTIAL" STOCKS ON HAND. IN ADDITION, GOL EXPECTED DELIVERIES FROM THE WFP, HAD ISSUED AN IRREVOCABLE LETTER OF CREDIT TO PURCHASE BETWEEN 100,000 AND 150,000 MT OF WHEAT FROM CANADA THIS YEAR, AND HAS ISSUED SOME IMPORT LICENSES TO PRIVATE LEBANESE IMPORTERS.

C. GOL WOULD PREFER DELIVERY IN BULK, NOT IN BAGS. IT BETTER ABLE TO HANDLE FORMER.

3. VEGETABLE OIL AND RICE.

A. THE GOL COULD NOT TAKE ANY VEGETABLE OIL UNDER THE PROPOSED AGREEMENT BECAUSE IT COULD NOT COMPLY WITH THE AGREEMENT'S INJUNCTION TO "TAKE ALL CONFIDENTIAL

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POSSIBLE MEASURES TO PREVENT THE EXPORT" OF THIS COMMODITY. HOSS POINTED OUT THAT ALTHOUGH LEBANON WAS A NET IMPORTER OF VEGETABLE OIL, IT PRODUCES 36,000 METRIC TONS ANNUALLY, ABOUT 25 PER CENT OF WHICH IS EXPORTED. TO PROHIBIT EXPORTS WOULD CRIPPLE LOCAL OIL INDUSTRY.

B. GOL WOULD ACCEPT DELIVERY OF 20,000 MT OF RICE UNDER THE PROPOSED AGREEMENT. HOSS NOTED THAT THE GOL HAD ALREADY IMPORTED 7,000 MT OF RICE THIS YEAR, HAD ISSUED LICENSES FOR IMPORTATION OF ANOTHER 5,000 TONS, AND WAS GETTING 7,500 TONS IN AID FROM ITALY, FOR A TOTAL OF 19,500 TONS RECEIVED OR PROGRAMMED, AS AGAINST TOTAL REQUIREMENTS OF 24,000 TONS GIVEN SHORT STORAGE LIFE OF RICE, THEY WOULD NOT BE ABLE TO IMPORT IT UNDER TITLE I UNTIL LATER IN YEAR. AGATT EXPLAINED BIDDING PROCEDURE.

4. COMMENT: AL-HOSS'S COMMENTS ILLUSTRATE THE

PROBLEMS INVOLVED IN ATTEMPTING TO DESIGN AN APPROPRIATE PL-480 AGREEMENT WITHOUGH CLOSE PRIOR CONCLUTATION WITH THE LEBANESE. AS DEPARTMENT IS AWARE, GOL CLAIM THAT 1,250,000 PEOPLE IN LEBANON NEEDED "LARGE SCALE FOOD ASSISTANCE" HAS ALWAYS BEEN CONSIDERED HIGH BY KNOWLEDGEABLE SOURCES. EMBASSY POINTED OUT IN REF A THAT UNMET RELIEF NEEDS, EVEN BY GOL ESTIMATE, DID NOT EXCEED 59,000 MT. THE STRUCTURE OF THE LEBANESE ECONOMY AND THE GOVERNMENT'S PRIOR COMMITMENTS TO PURCHASE WHEAT FROM CANADA (OF WHICH WE WERE PREVIOUSLY UNAWARE) ARE APPARENTLY SUCH THAT IT SIMPLY CANNOT USE THE VEGOIL OR HANDLE AMOUNTS OF WHEAT PROPOSED DURING REMAINDER OF THIS FISCAL YEAR. WE THEREFORE PROPOSE THAT THE TITLE I AGREEMENT FOR FY 1977 BE CHANGED AS REQUESTED BY PRIMIN AL-HOSS AND THAT WE BEGIN IMMEDIATELY TO
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DISCUSS WITH GOL OFFICIALS A TITLE I AGREEMENT FOR FY 1978.
PARKER

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